S. HRG. 98-324

EGG HANDLING REGULATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 1368

A BILL TO AMEND THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED AND REENACTED BY THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, TO PERMIT THE SECRETARY OF AGRICULTURE TO ISSUE MARKETING ORDERS REGULATING THE HANDLING OF EGGS

JULY 14, 1983

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EGG HANDLING REGULATIONS

THURSDAY, JULY 14, 1983

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 328A, Russell Senate Office Building (Hon. Thad Cochran, chairman of the subcommittee) presiding.

Present: Senator Cochran.

Also present: Senator Heflin.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. The subcommittee will come to order. I would like to welcome everybody to today's hearing on Senate bill 1368 introduced by our distinguished colleague from Alabama, Senator Heflin.

The bill would delete the exclusion of eggs from the Agricultural Marketing Agreement Act of 1937. Amending the Agricultural Marketing Agreement Act to include eggs will not require the development or implementation of a marketing order for the egg industry; it will merely provide the industry with the opportunity to consider whether it wants and needs the types of programs authorized under the act.

Marketing orders authorized under this act have made valuable contributions to the stability of many of our agricultural commodity markets. Since egg producers, particularly small and independent producers, are suffering through one of the most difficult periods of their history, I'm interested in views regarding proposed and potential benefits to be derived from a marketing order if one could be established.

Senator Heflin has introduced this bill and is with us this morning. We recognize you for any statement or any introductory remarks you might have for the committee.

Senator Heflin.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. Thank you, Mr. Chairman. I want to personally thank you and Chairman Helms for promptly scheduling a hearing

on this legislation. I would like to make a brief statement to explain this bill.

On May 25 I introduced S. 1368; this legislation would amend the Agricultural Marketing Agreement Act of 1937 to include eggs within the list of commodities that may develop marketing orders.

Under the act producers and handlers of certain commodities may voluntarily agree to establish programs within their industry which are designed to cure certain problems from which the industry may suffer. Most agricultural commodities are included within the act and the producers of these commodities may develop marketing orders. Eggs are specifically excluded from the act, and this legislation would merely provide the egg producers with the same opportunity most other commodity producers currently have to develop a marketing order to deal with marketing problems in their industries.

Three broad categories of activities have been undertaken under Federal marketing order programs: First, quality control; second, quantity control; and third, market support.

Quality control is implemented through shipping restrictions on certain sizes and grades. Quantity control provisions consist of volume management and market flow regulations. Market support activities include shipping container and packaging standards and research and promotion.

Marketing orders authorized under the act have made valuable contributions to the stability of many of our agricultural commodity markets. In recent years, our egg producers have suffered through one of their most difficult periods in the egg industry history. For an extended period of time, producers have had to sell their eggs at prices below the cost of production; painfully clear evidence of the plight of the domestic egg producer is the fact that in less than 1½ years during the period ending in December 1982 the number of domestic egg producers dropped from more than 6,000 to less than 4,000. This is a decrease of more than 33 percent.

It should be noted that poultry and egg producers do not enjoy the measure of some price protection which is available to other farm producers through the various commodity loan programs.

The industry has recognized that it cannot control factors that are artificially produced in the market system. The PIK program, the loss of export markets to foreign subsidized eggs, has left the industry with grave problems which require a more organized structure.

It is clear, therefore, that the egg industry should have the opportunity to consider the alternative of implementing a marketing order. Amending the act of 1937 to include eggs will not implement a marketing order for the egg industry, nor will it require that the industry develop one.

It merely provides the industry the opportunity to consider whether it wants and needs the types of programs provided for under the act. Before a marketing order may be issued by the Secretary of Agriculture, the following steps must be completed.

First, there must be authority for the Secretary of Agriculture to issue a marketing order under the act. S. 1368 in the Senate and companion legislation in the House would accomplish this step and this step only.

Second, the egg industry must propose a marketing order to the Department of Agriculture.

Third, any proposed order must be published in the Federal Register.

Fourth, hearings to receive evidence and changes to the proposed order would be held throughout the country, giving producers, whether they oppose or favor the order, the chance to testify and submit evidence.

Fifth, from the hearings, the Department of Agriculture would determine whether there is a need for any marketing order and whether there is adequate support to hold a referendum.

Sixth, if the Department of Agriculture finds that there is a need for a marketing order and there is support for the proposed order, it will conduct a referendum whereby all egg producers would have the opportunity to vote for or against the proposed order.

Seventh, if two-thirds of the producers voting approve or if it is approved by producers that represent two-thirds of the volume of eggs sold, then the order will have been approved by the industry.

Eighth, the Secretary of Agriculture may then institute the proposed and approved marketing order.

Since I introduced this legislation in May, it has come to my attention that a couple of modifications in the language of the bill would be helpful. First, I would like to modify the amendment to make it clear that it only authorizes the development of marketing orders for eggs, rather than giving the Secretary unilateral authority to issue an order. As a practical matter, any such order will have to be developed through a cooperative effort by the industry and the Department of Agriculture.

In addition, an order would have to go through the hearing process and be approved by referendum of producers. The second modification in wording I would like to make would clarify that hens that produce eggs as well as the eggs themselves would be subject to an egg marketing order. Since poultry is excluded from the Agricultural Marketing Agreement Act of 1937, it is necessary to clarify that laying hens would be included under the act. I'd like to make the amended language that I have described a part of the hearing record.

[The following was received by the committee:]

A BILL To amend the Agricultural Adjustment Act, as amended and reenacted by the Agricultural Marketing Agreement Act of 1937, to authorize the development of marketing orders for eggs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That clause (B) of the first sentence of section 8c(2) of the Agricultural Adjustment Act, as amended and reenacted by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 608(2)), is amended by striking out "eggs (but not excepting turkey hatching eggs)", and by inserting after the word "turkey" and before the bracket the following: "and fowl producing commercial eggs".

Mr. Chairman and distinguished members of the committee, it is my belief that the egg producers of this country should have the opportunity to consider and determine for themselves whether they want a marketing order to cure the ills afflicting the industry.

I hope that this alternative which will cost the Government no money and which will not force the USDA to adopt any questionable program will receive favorable consideration by the members of this committee.

Thank you.

Senator COCHRAN. Thank you, Senator Heflin. We appreciate your statement and the leadership you are providing with respect to this issue.

We have a good number of witnesses who are scheduled to testify this morning, so the committee will have the benefit of a wide range of input into this process.

We first have Congressman Tony Coelho from California who is here from the House. We appreciate your being here, Tony. You may proceed in any manner that you wish.

STATEMENT OF HON. TONY COELHO, A REPRESENTATIVE IN CONGRESS FROM THE 15TH DISTRICT OF CALIFORNIA

Mr. COELHO. Thank you, Mr. Chairman. I appreciate that very much. I also want to applaud you and members of the committee for taking up this bill in the manner that you have. I also want to applaud Senator Heflin for introducing the bill on this side and taking the leadership to solve this problem.

I will be today introducing the modified version of the bill also to see if we can get something going on the House side. I would hope with Senator Heflin's leadership and your support, Mr. Chairman, that something could happen quickly over here and maybe we can work a miracle in conference committee or something like that to get this bill into place.

Senator Heflin has covered this issue very, very well, and I would like to just refer to parts of my statement and the balance of my statement, hopefully, will be made a part of the record.[1]

The domestic producers have a history of being strong willed, independent businessmen and women. When the industry was healthy, they flourished together. And when the industry was suffering, they suffered together. The industry as an industry has cooperated extensively with the Department of Agriculture to implement voluntary programs which would improve the industry.

Two prime examples of these voluntary efforts are the USDA grading and inspection program and the American Egg Board which promotes the use of eggs. I am sure most of us have heard the incredible edible egg advertisements. Some of those things have helped, but the problems have resulted from factors that the industry cannot control, such as the PIK program and the egg exports which are due to circumstances beyond their control that Senator Heflin talked to.

The PIK program resulted in dramatically higher grain costs, grain which egg producers must buy to feed their flocks, the loss of egg exports due to foreign subsidized eggs has caused a domestic egg surplus lowering the price producers can get for their product.

So on one end they have higher costs, and on the other end they get less value. There is no way they can survive. In early May of this year an all industry task force of egg producers was developed which worked closely with the USDA to try and deal with the economic crisis which gripped the industry.

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[1] See p. 27 for the prepared statement of Representative Coelho.

The industry task force, after meeting with the Department of Agriculture, urged that the industry support an amendment to include eggs in the Agriculture Marketing Agreement Act of 1937.

I might say, Mr. Chairman, that during that period of time I met with industry representatives because I have a tremendous number of egg producers in my district and worked with them in this regard.

After this task force recommendation the United Egg Producers and its member cooperatives began to poll their membership on marketing orders. The four regional cooperatives, West Coast Egg Producers, Midwest Egg Producers, Northeast Egg Marketing Association, and the National Egg Co. covered the commercial egg production of the entire Nation.

The producers in these cooperatives voted overwhelmingly for an amendment to the Agriculture Marketing Agreement Act of 1937. Then in a board meeting held last month, the board of directors of United Egg Producers voted to seek an amendment to the 1937 act to include eggs. The egg industry has extensively considered this alternative and has determined that it would be best for the industry.

I might also say, Mr. Chairman, that at first the industry was not inclined to go with a marketing order, and as a result of considering all the different alternatives, they realized that this was really the only alternative that they had to try to see if there was some way to solve their problem.

My interest in the passage of such an amendment is spurred by the many contacts I have with the constituents I have in my district and of my State which I have the honor of representing.

California is the largest egg producing State in the Nation with over 32 million egg laying hens. This figure is equal to approximately 11 percent of the total U.S. hen population. If the Commerce Department conducted a census of egg laying hens, my district would be one of the most heavily populated. I have a lot of turkeys too. [Laughter.]

Senator COCHRAN. Not in Congress, though.

Mr. COELHO. Some have been elected. No, Mr. Chairman——

[Laughter.]

As I said earlier—that should be stricken from the record.

[Laughter.]

Senator COCHRAN. Or underlined.

Mr. COELHO. Yes, or underlined. They may get offended if they read it.

Mr. Chairman, today I will introduce, as I said, a bill in the House amending the Agricultural Marketing Agreement Act of 1937 to include eggs. This bill is very similar to S. 1368 which was introduced, as I said, by Senator Heflin and which this committee, I am very pleased, is considering.

Senator Heflin's bill and my bill will provide the egg industry with the opportunity to determine whether they as an industry need some of the programs offered under the act to cure ills which the egg industry suffers.

I think the point that Senator Heflin made is that we in the Government are not requiring anything of the industry. We are only providing them with a tool for them to use if they want it. It would

take a vote of the industry to determine whether or not they want it.

So we are not imposing anything on the industry; we are just giving them a tool to solve their problem if they want to do it.

I commend Senator Heflin for introducing this important bill, and I feel assured that the committee will review this legislation in a favorable light and hopefully in a timely manner.

Once again, I thank you, Mr. Chairman and other members of the committee. I would like to point out also, Mr. Chairman, that as the representative of the 15th Congressional District in California, I represent more marketing orders than anybody else in the Congress. I am intimately familiar with all the problems, but also all the good points of marketing orders. I have also been involved with some of the battles with the administration on marketing orders, and so forth.

I know of no better tool to assist the diversified farmers without actually coming in and providing them with subsidies and everything else that a lot of the other industries have. These people are not seeking a subsidy. They are only seeking tools to control themselves and to provide a product to the marketplace and a climate that they can exist in.

I would hope that the committee would support it and that we can move rapidly on it in the Congress in this session. It is an urgent, critical need for this industry that has always been a major part of our whole agriculture industry.

And again I appreciate your work on this.

Senator COCHRAN. Thank you, Congressman. Thank you and congratulations to you on your fine statement. We have a considerable amount of egg production in my State of Mississippi as well. And I know this is of interest to our egg producers in the industry that is located there. I do not have any questions of you. We have a number of witnesses who will be able to answer questions about the practical impact of this on the industry and on those who will be participating in a referendum if this legislation is enacted. Thanks again for joining us. We appreciate your being the leadoff witness this morning.

Our next witness is Wayne Boutwell, president and chief executive officer of the National Council of Farmer Cooperatives here in Washington.

Welcome back home.

Senator HEFLIN. Well, we have an alumnus here. I think this is the first time he has been here to testify.

Senator COCHRAN. As far as I know it is. Is this the first time you have testified before the committee?

Mr. BOUTWELL. That is correct.

Senator HEFLIN. All right, sir. How does it feel now to be in the $200,000 salary range? [Laughter.]

Mr. BOUTWELL. I do not know yet. [Laughter.]

Senator HEFLIN. All right, sir. Well, we are delighted to see you. We do appreciate your being here this morning to speak on behalf of S. 1368.

STATEMENT OF WAYNE BOUTWELL, PRESIDENT, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. BOUTWELL. Senator, since you have covered the background of the egg industry and Congressman Coelho covered some of the background also, I think I will skip that part of my testimony. I do have a complete testimony I would like to submit for the record.

Senator COCHRAN. It will be included in the record in its entirety.[1]

Mr. BOUTWELL. I will summarize.

We do appreciate the opportunity to testify this morning on behalf of S. 1368. The National Council of Farmer Cooperatives supports this legislation and urges its quick adoption by the full Senate.

Mr. Chairman, the National Council is not here today to make a determination as to whether or not a marketing order program is needed by the egg industry at this point in time. That is left up to the industry to determine for themselves. I am here to shed some light, however, on the benefits of marketing orders.

The National Council has a number of cooperative members who have for years had experience in the operation of Federal marketing order programs. Unfortunately, they have been criticized by the uninformed and attacked by those who do not understand their benefits.

Over the last 2 years we have had continuous attacks by the Office of Management and Budget on marketing order programs.

These attacks have led to changes in the programs which could eventually lead to great instability within the commodity sectors where those programs are important. The major purpose of marketing orders is to permit the orderly flow of high quality farm products to the market. In that way we can avoid at least some of the economic hardship to farmers during times of excess supply and conversely to protect consumers against scarcity and high prices in years when production falls short.

As has been stated earlier, the marketing order program has three major components, the quality control component, the research and promotion component, and the supply component.

Requests for orders usually are initiated by producers, although the Secretary, too, has that authority and it has been used numerous times since the Agriculture Marketing Agreement Act of 1937.

Currently there are nearly 50 orders in effect covering some 33 agricultural products in this country. Marketing orders have been criticized by some free market economists who state that the supply and management tools, that is, reserves and prorates, used in the various order programs are not consistent with appropriate public policy, that marketing orders maintain prices at higher levels than could have occurred in the absence of the order, and that consumers are continuously ignored in the establishment of marketing order policy.

As a result of these criticisms, marketing orders are one of the most reviewed and studied Federal programs in history. Since their

[1] See p. 28 for the prepared statement of Mr. Boutwell.

inception in the 1930's, there have been 36 different studies completed, 14 of these since 1970.

Let us look at each of these criticisms and show how they simply are not true, cannot be supported by the facts, the studies nor the experiences that our industry has had in operating these programs.

The most controversial function is the supply adjustment feature. Agriculture in general has two major problems One is that production conditions and weather have more to do with production variability than any other single factor. Production is generally seasonal in nature, requiring that some sort of a distribution pattern be carried out throughout the year.

I have included in the appendix a matrix which outlines programs for all the commodities in terms of loan rates, target prices, and so forth. That particular table gives you a summary of agricultural programs. As far as the major crops are concerned, the loan rate is the mechanism used for distribution of the product over a particular year. It helps smooth out the once-a-year harvest cycle.

The reserve program which is contained within the grains is the program that takes care of the distribution where you have too much production in one year and you need to carry it to the next year.

Marketing orders have the same sort of mechanism through what is called prorate and reserve pools. The prorate allows them to allocate the supply during the marketing year so it is smooth. The reserve pool allows you to carry it from one year to the next to smooth out supply between two different years.

The second criticism levied against marketing orders is that they call on consumers to pay prices higher than would have been the case in the absence of such orders. However, the overwhelming evidence presented in studies that have been completed over the last 40 years has shown that this is not the case. In a USDA study released in 1981 entitled "The Effectiveness of Federal Marketing Orders for Fruits and Vegetables," it stated that the critics charged that consumers are hurt by high prices by marketing orders is questionable. In relation to comparable commodities not under the Federal orders, there is little reason to believe that orders have resulted in price performance generally detrimental to consumers.

The final criticism of marketing order programs is that consumers have no input into the operation of these programs. As I stated earlier, the marketing orders are administered by committees consisting of producers. Prior to any changes in the program, public hearings are conducted by the USDA. Anyone interested in testifying can do so. Just recently a series of hearings were completed with regard to navel oranges. It was felt that this would be a very short hearing, but it wound up lasting some 3 weeks because of the strong interest of both producers and consumers in that particular program.

So it is hard to say that consumers do not have the opportunity to provide input into marketing order programs.

In summary, marketing orders provide the benefit to producers, consumers, and the Federal Government. They give producers the opportunity to protect their investment during periods of excess supply and low prices.

The consumer in return is assured of a long-term supply of high quality products at reasonable prices. In addition, these order programs are virtually free of Government expenditures.

There are many reasons a particular commodity sector may find itself in excess supply situation relative to demand. In the past this has primarily been because of good weather conditions that brought about production that was in excess of demand.

During recent times, however, we have seen a combination of the two. We have seen a combination of production that is above normal, but we have also seen loss of markets because of subsidies, the value of the dollar, and so on. You have heard all of those.

In particular the egg industry's problem is related to the export problem. When you gear up to supply one level of demand and then suddenly that level of demand is gone, then you have a problem. You have an excess supply situation.

Clearly, this is what a marketing order can address, and we believe that the egg industry should have the opportunity to decide whether or not a marketing order could help during this period of adjustment.

Therefore, Mr. Chairman, the council supports this legislation.

Senator COCHRAN. Thank you very much for the explanation of marketing orders and how they serve to stabilize an industry.

I was interested in knowing what the impact of a marketing order in the egg industry would have on consumers, and I think you have answered that in terms of the general effect that marketing orders have on consumer prices or have had in the past.

Is there any reason to believe that a marketing order, if it were implemented in the egg industry, would have the effect of raising consumer prices in the near term? It seems to me that you just automatically have to assume that consumer prices would go up. But then would they level off and be more stable in later years? Is that the reason why it has a salutory effect on consumer prices?

Mr. BOUTWELL. That is correct. What happens under the situation that you have now with the loss of export markets, you have egg prices that have dropped down below the level at which producers can stay in business.

We heard the testimony of the loss of some 31 percent of the egg producers in this country. If that is allowed to continue and prices stay depressed, you will find that enough producers will go out of business and that the supply will eventually come down and prices will go abnormally high in order to bring production back in. This will have a negative impact on consumers.

What a marketing order will do will be to slow that price fall down, allow a more normal, rational pattern with regard to the adjustment of the industry, rather than having this real low price and then real high price to consumers. Consumers ultimately will benefit because they will not have to face the high prices down the road.

Senator COCHRAN. What about some who at some point in the future seek to enter the egg business? Is there any way for a new producer to come into the egg business after the marketing order has been established that controlled supply?

Mr. BOUTWELL. This legislation does not prohibit the entry of new producers.

Senator COCHRAN. Would the egg industry choose between the three components of the traditional marketing order and ask the Secretary to implement one or the other or all three? Or is that something that is up to the Secretary? Or does the industry decide?

Mr. BOUTWELL. It is up to the Secretary to decide if the industry will participate in that process.

Senator COCHRAN. Senator Heflin.

Senator HEFLIN. How long a period of time, or does it vary as to the specific language, would a marketing order be in effect?

Mr. BOUTWELL. They are reviewed annually, Senator; because of the nature of production, it is a prorate within a year and then the pool between years. So those kinds of decisions you have to make annually.

Senator HEFLIN. I'm sure if we took testimony on the loss of export markets, it would reveal tremendous activity particularly by some of the European Common Market countries. And just as a matter of interest, to go to the President today is a letter which several Senators have been involved in, primarily Senator Mattingly of Georgia, which I believe will have the signatures—the last count I had of 56 Senators, which will in effect ask the President to make it a priority item dealing with eggs and poultry as he has done with steel on the question of the effect of subsidizing by foreign countries in their markets.

So it could well be that we could recover some in the export market. So you have it as reviewed annually, and if there is no need for it, if the markets have picked up, then it can be stopped or it can be modified or anything of that sort.

Mr. BOUTWELL. That is correct. I might add, in terms of the exports, in 1981 we exported some 234 million dozen eggs. In 1982 this dropped off 31 percent down 158 million dozen. And the primary reason is that Brazil and France are subsidizing to the tune of about 9 to 11 cents per dozen to capture those markets. In fact, the overall market, as I understand it, has expanded. And so not only have they captured this part of ours; they have also gained on the expanded market.

Senator HEFLIN. This letter includes Brazil, too.

Mr. BOUTWELL. That is correct.

Senator COCHRAN. Thank you very much for being here. It is good to see you again.

Mr. BOUTWELL. It is good to see you.

Senator HEFLIN. Mr. Chairman, I would like to make a part of the record a letter from the Department of Agriculture of Alabama, Hon. Albert McDonald, who supports this legislation.

Senator COCHRAN. It will be included, without objection, in the record.[1]

Our next witness is Al Pope, president of the United Egg Producers.

Welcome to the committee, Mr. Pope.

Mr. POPE. Good morning, sir.

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[1] See p. 33 for the letter from Albert McDonald, Commissioner, Alabama Department of Agriculture.

Senator COCHRAN. We have a copy of your statement and we will make it a part of the record in its entirety, and we would encorage you to make any summary comments that you care to make.[1]

You may proceed.

STATEMENT OF AL POPE, PRESIDENT, UNITED EGG PRODUCERS

Mr. POPE. Thank you, Mr. Chairman.

Mr. Chairman, my name is Al Pope, and I am the president of United Egg Producers and have been for approximately the last 9 years. UEP is a national federation of egg marketing cooperatives, and I am here today to testify of course on the proposed amendment to the 1937 act that would remove the specific exclusion of eggs from the act.

I would like to thank you, Senator Heflin, other members of the committee for the prompt action in scheduling the hearings on the bill and for recognizing the importance it may have to our industry.

We basically have—and I will try to summarize—we basically have four regional egg marketing cooperatives that have joined together and formed United Egg Producers, basically representing a large portion or a large percentage of producers nationwide.

Therefore, we enjoy, I think, the grassroot producers' support at UEP in zeroing in on problems specifically affecting the egg industry.

I guess I would like to start off by saying two things, that it has been a very frustrating experience for the last 10 years at UEP in that producers, as has been pointed out, have tried very, very hard to self-discipline themselves in the marketplace.

We as an organization have tried to lead them on voluntary programs in trying to accomplish just that. And yet after 10 years when this happened—and we were the major factor in the export business—and, you know, I have to tell you that it was kind of like a great American success story. We started about 5 years ago, no subsidies, no help from anybody; producers getting together and basically saying, we think that we can sell—export eggs, create new markets for U.S. produced, finished agricultural products, which of course creates more jobs and more money, balance of payments, et cetera.

So the producers got together and in a small way were selling eggs and I have to say none of the orders were subsidized. They were sold based on domestic values.

And so we felt this was very important, here again not looking to the Government for any assistance whatsoever or anybody, just ourselves. And we did that and we started off, and I can remember the first order; it was 50,000 cases, filled an entire ship. It was incredible from the distribution and handling standpoint.

And of course it was on every front page on our poultry industry magazines. And of course the producers took a great deal of satisfaction in developing these new markets.

So that program grew each year until finally we were approaching 30 million dollars worth of sales the year before last, which is

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[1] See p. 33 for the prepared statement of Mr. Pope.

nearly 2 million cases of fresh eggs, which is an incredible feat. The programs that have been implemented by this Nation and by the Department of Agriculture have permitted the finest agricultural products in the world to be shipped anywhere in the world and still be far superior to products that they are receiving from other countries because of our inspection service that is provided.

And we built this up to 2 million cases, $30 million a year, and of course this took care of some of the surplus problems from time to time. We could either export more or less and try to handle it.

Then of course overnight those were removed from us through no fault of ours, through no fault of our pricing, through no fault of anything, completely removed.

Well, agriculture, while we would like to treat it like private industry, it just is not the same kind of animal. We have to look at it a little bit differently I think.

So what happens to an agriculture commodity where we truly have free enterprisers and we have a free market system and pricing? The effect of having the equivalent of 2 million cases on our marketplace, on our domestic marketplace or 200,000 cases a month, was devastating on our pricing structure, absolutely devastating. And there was no way to adjust in a short period of time.

So as we were adjusting, what happened was a PIK program came along. The major effect of the PIK program came along in our after-Easter period when we just were unable to pass the increased cost on through. And so we had an 11 cent a dozen or up to a 7 cent a dozen cost increase. Feed costs represent 70 percent of our total production costs.

With that in mind and not being able to pass it on, we ended up with a very devastating period that we were going to go through.

It was at that point we went to the administration. Recognizing and being sensitive to that particular problem, they helped us avert what would have been an absolute disaster situation, and that was in this past 90 days.

But then the most important thing, I think, as far as an industry organization and me as being their representative, their paid representative, it was very frustrating in that we had tried program after program on our own only to meet with a program that was implemented through no doing of ours that we could not react to. We had no way of reacting to it and avoiding a disastrous situation.

So what we are asking for here is we are asking for Congress to amend the act of 1937 allowing us to develop some tools that could provide some flexibility to the industry to react to those kind of situations.

During the last 90 days dealing here in Washington, trying to work with the effect of the PIK program, we constantly were met with the response that, yes, but you chose not to be included in the Agriculture Act of 1937, so we do not have the enabling legislation to react in a certain manner.

And of course we said—I guess my response was that, yes, we chose not to be included in the act of 1937, but we do not want to be punished because of that. We do not want to be punished or we do not want to have to suffer because of that, because of the programs that can be implemented.

So we are encouraging that the act be amended so that it will include eggs. I think it has been brought out that we have lost nearly 30 percent of our producers in the last 1½ years. And of course there again as an industry organization, it is kind of a bad realization waking up and having that kind of situation exist.

So, in summary, I would simply like to say that the egg industry has carefully considered the pros and the cons of asking for the amendment of the 1937 act. And 2 years ago a UEP marketing task force recommended that the industry seek this amendment and they began studying the benefits of a marketing order agreement.

As mentioned, the industry is together, by and large, in wanting to amend the act. The legislation before you is very simple. It merely amends the Agriculture Act of 1937 to remove the language that exists. It provides for a democratic process that the industry will have available to it to choose really what it wants to do.

We have also suggested additional wording to clarify that hens that produce eggs could also be subject to the provisions of a marketing order, as well as changes in the introductory statement that better describes the purpose of the amendment which is included.

Mr. Chairman, I hope that this legislation, which will cost the Government no money, will not force USDA to adopt any objectionable or questionable programs, that it will receive favorable consideration by Congress and the support of the administration.

Egg producers are traditionally free enterprisers and believers in the democratic process and the right to be heard. Egg producers are willing to take the responsibility for the cost of any such program. They are one of the first commodities to actually pay USDA for the administration of a promotion and research order for inspection and grading services.

Please give us the flexibility to make a choice and have a hand in our industry's destiny.

Thank you very much, Mr. Chairman.

Senator COCHRAN. Thank you, Mr. Pope.

You mentioned that the Department of Agriculture has helped the industry over the past 90 days avert a disaster.

Mr. POPE. Yes.

Senator COCHRAN. What did USDA do?

Mr. POPE. Well, what they did came over a long process of working with them. They were very sensitive and aware of the economic situation that existed in the industry because of the exports. Then the PIK program came along. And what they implemented, as part of the jobs bill, there was an allocation made out of that to purchase dried egg mix.

And they purchased dried egg mix over the last 90-day period, and of course this product was not put in storage or anything. It was put out and fed as provided for in the jobs bill to the high unemployed areas

Senator COCHRAN. Is there unanimity in the egg industry about this legislation?

Mr. POPE. Yes. We have—the statement that will be provided by the task force itself will cover the organizations that represent, literally, all of the industry, I guess, pretty much the whole industry. So as it relates to amending the act itself to include eggs, yes we have industry unanimity.

Senator COCHRAN. But in terms of what the marketing order ought to cover——

Mr. POPE. Yes.

Senator COCHRAN [continuing]. Is there unanimity about that?

Mr. POPE. Certainly not. I do not think there would be on anything. And yet there really has not been anything developed at this point. And I think that is what this would provide, the opportunity to put up different characteristics or different provisions, and I just have to trust it to the democratic process. I think that is the way to do it. And this of course does not specify any particular provisions. And the industry certainly would not agree on all those provisions that are included.

Senator COCHRAN. Well, we heard described earlier the three major components of a marketing order or the three uses that a marketing order could serve.

If we adopted this legislation and then the industry in participating in the process of developing an order could not get together or there was no consensus or serious differences of opinion developed about what the function of the order should be, do you see any serious problem with that? You talk about the democratic process working. I can see where there might be some serious problems.

For instance, if a majority decided they wanted to have an order controlling the supply, what would happen to the minority who disagreed with that, who did not want it to be implemented in a way to control supply. Maybe they would just want it to control the handling and not the production of eggs.

Mr. POPE. Well, I think that the majority—here again the majority rule; I trust it to the democratic process, the majority rule.

And I think that producers in agriculture all have good flexibility of adapting to situations. I think they have demonstrated that time and time again. And one of the things of course that has not even been brought out here that I think we are all aware of in the poultry industry is providing the kind of food stuffs that they do at the kind of productivity efficiency that they have been able to gain over the last 20 years; the price of—I cannot speak for broilers and turkeys, but I know that it is true also in eggs is that we are at the same price levels we were 20 years ago and 15 years ago.

There are very few commodities that can say that. But I think that we would adapt to that. I think that would be a problem and I think it has to be taken into consideration by the two-thirds that are voting, were it to be a favorable vote by two-thirds. And that would have to be dealt with at the time.

Senator COCHRAN. Well, thank you very much.

Mr. POPE. Thank you very much.

Senator COCHRAN. You have helped us understand the issue a lot better, and we appreciate your being here.

Mr. POPE. Thank you, sir.

Senator COCHRAN. Our next witness is John Datt. He is representing the American Farm Bureau Federation here in Washington.

Welcome. It is good to see you again.

STATEMENT OF JOHN DATT, SECRETARY AND DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. DATT. Thank you very much, Senator. Our statement is real short. It may be a record.

Senator COCHRAN. Congratulations.

Mr. DATT. We do not go into all of the details and all of the background of the egg industry and everything we do in the marketing area because that has been discussed. I just indicate that we appreciate the opportunity to present our views on S. 1368, the purpose of which legislation is to amend the Agricultural Marketing Agreement Act of 1937 to include eggs under the act.

And I should say over the years the Farm Bureau has supported the adding of additional commodities to the act. The Farm Bureau has been and continues to be a supporter of the Agricultural Marketing Agreement Act and its use for more orderly marketing. More orderly marketing has enabled producers to improve their net income.

The purpose of S. 1368 is very simple. It would add eggs to the list of agricultural commodities eligible for the development of a marketing agreement or a marketing order. S. 1368 does not say that such a program would be developed. Currently, egg producers are experiencing income difficulties and are exploring avenues to improve their income position. S. 1368 would give producers that opportunity. It would not require that an order be developed, but if passed, egg producers could explore that possibility. Any program developed by the egg industry would require producer approval.

The legislation should define eggs as meaning "unfertile commercial table eggs." We want to make that distinction between commercial eggs that go for commercial use versus eggs that are for hatching purposes. We think the amendment should make it clear that you are confining this purely for eggs for commercial purposes and not including eggs that are used for—are produced for hatching purposes, and in that sense make it apply to the commercial egg industry only.

We support the passage of S. 1368. We hope the subcommittee will approve it at an early date, and we appreciate the opportunity to present our views.

Let me just say that I came to work for the Farm Bureau in 1950, and over the years I have been involved in the development of practically every one of the fruit and vegetable marketing orders that have been developed in this country. I have done a great deal of work with the milk marketing orders. We would be happy to answer any questions that you have as to how one might proceed or any questions you have as to the development. That was for many years my main responsibility with the organization.

Senator COCHRAN. What effect if any would a marketing order have on a very small egg producer who brings eggs into a farmer's market and offers them for sale to the public?

Would a person of that kind be harmed in any way or affected in any way by a marketing order?

Mr. DATT. Well, I would say he would not be harmed in any way. I think that you will find in many of the marketing orders that have been developed, that there has been an exemption written in

for certain of what we might—I think what you are talking about, of the smaller egg producers. They have been exempted—depending on the level and size, they have been exempted from the coverage of it as it relates to many of the marketing orders.

That is one way you can go, simply say that at a certain level, whatever the level might be, would be covered; someone below that level is not covered in terms of the provisions. And we have that today in the fruit and vegetable orders. There are exemptions for the smaller producers who simply sell to a very localized market.

That is the way we have dealt with that over the years.

Senator COCHRAN. Do you know whether or not there is opposition in the industry to your suggestion that the legislation should define the eggs narrowly as meaning unfertile, commercial table eggs?

Mr. DATT. My understanding is that from talking with our fellows who work closely with the egg industry that that is the definition and that is the direction they wish to go; in other words, to confine it to the commercial table egg industry and attempt to include eggs that might be produced for hatching purposes.

I was not going to comment on this point, but I was told that there was agreement on this, on confining it to that particular area.

You see, you have eggs that are produced for hatching purposes; then you have eggs that are produced for what we refer to as commercial table use. I think the folks are trying, as I understand it, to basically the table egg.

Senator COCHRAN. OK.

Mr. DATT. Egg use—you get a whole different ballgame if you start dealing with the hatching egg side of it. That brings a whole new cast of players into the discussion and makes it another ballgame if you start bringing that group in.

Senator COCHRAN. Well, thank you very much.

Mr. DATT. Thank you, sir.

Senator COCHRAN. Helping the committee the way you have, we appreciate you being here and testifying this morning.

Our next witness is John Guglielmi, representing the Southeastern Poultry and Egg Association, from Decatur, Ga.

Good morning.

Mr. GUGLIELMI. Good morning, Senator. How are you?

Senator COCHRAN. We have a copy of your statement as well, which we will make a part of the record. We thank you for being here.[1]

STATEMENT OF JOHN GUGLIELMI, CHAIRMAN, EXECUTIVE COMMITTEE, SOUTHEASTERN POULTRY AND EGG ASSOCIATION

Mr. GUGLIELMI. Thank you. Thank you for allowing us to present our testimony.

I am John Guglielmi, vice president, Holly Farms, North Wilkesboro, N.C. I serve as chairman of the executive committee of the Southeastern Poultry and Egg Association. The association repre-

[1] See p. 35 for the prepared statement of Mr. Guglielmi.

sents all segments of the poultry and egg industry, including farm producers of eggs.

Membership in our association is voluntary and members produce approximately 37 percent of commercial eggs. As you said, we are located in Decatur.

I will not read all of this. Our main reason for being here is clarification. And Senator Heflin did clarify the act as we would like to have seen it done. We want to clearly identify that the intent is to include light breed fowl, commercial fowl, and they are also called leghorns, and also to identify eggs for the purpose of this legislation to mean unfertile, commercial table eggs, and does not include eggs from broiler breed fowl or the heavy breed fowl, and to delete from the preamble of the bill the following wordage: "To issue marketing orders regulating the handling of eggs," and substitute the following: "To authorize the development of marketing orders for the commercial egg industry."

We appreciate and thank Senator Heflin for making these changes and support him wholeheartedly in these changes.

With the suggested amendments to S. 1368, the Southeastern Poultry and Egg Association can support its passage and hopes it will get passed for the egg industry.

Basically, that is all I have, so that is shorter than that one page.

Senator COCHRAN. You may have heard the statements if you were here, the questions I asked earlier about the impact this legislation might have on consumers and persons later on in life who wanted to enter the egg business.

What is your reaction to those two questions?

Mr. GUGLIELMI. First let me preface by saying that I am a broiler man, and we are firmly against marketing orders as an industry. It will cause the consumers to pay more than they are presently paying because they are presently paying under the cost of production.

On the other hand, roughly a year ago they were paying $1 plus. Farmers were getting that price on the farm. So that equated maybe to $1.50 plus per dozen eggs. They probably will never have to pay that high price again. It will have a tendency to level out the price.

Senator COCHRAN. Why was the price so high? And when was that—when the prices were at that point?

Mr. GUGLIELMI. Let me see. That was about—it was in the summer. There was a heat factor. It was so hot——

Senator COCHRAN. Last summer?

Mr. GUGLIELMI. I believe it was. No, 3 years ago. Time passes fast. About 3 years ago when they were so high, and it was a summer heat condition, and it is a basic supply-and-demand figure. There was more demand for eggs than there was production.

The egg industry got caught in the PIK program and the loss of exports. If you take 5 or 6 percent of the eggs off the market presently, you would have stabilized prices, and you would then be able to make a small profit, not an enormous profit, on eggs.

The same goes for broilers; however, the broiler industry has not bled as much as the egg industry has. It has been very unprofitable so far this year in broilers. Like I say, that is why we are trying to

make sure we do not get under this marketing order because we have not bled enough yet. We may be back to see you.

Senator COCHRAN. How much would prices be expected to increase if this legislation is passed and the marketing order is implemented by the Department? Are we talking about 25 percent?

Mr. GUGLIELMI. Oh, no.

I think you would be talking more in terms of 10.

Senator COCHRAN. Ten percent increase in price to the consumer.

Mr. GUGLIELMI. Eggs are the cheapest——

Senator COCHRAN. What are they, about $1 dollar a dozen right now for your medium size or your large?

Mr. GUGLIELMI. I think farm is—I am not an egg man. I think it is 47, farm price.

Senator COCHRAN. That is at farm.

Mr. HOUSTON. It is 69 cent market, but you can only get probably at farm 25 cents less.

Mr. GUGLIELMI. So around 40 cents, 45 cents per dozen.

Senator COCHRAN. That is how much the producer gets paid.

Mr. GUGLIELMI. Yes.

And he cannot do it on that. We are all losing money.

Senator COCHRAN. How much would the producer have to be paid to have a reasonable margin of profit?

Mr. GUGLIELMI. We have an egg man coming up here in a minute.

Senator COCHRAN. I will wait and ask him.

Mr. GUGLIELMI. Ed Houston could supply all those figures.

Senator COCHRAN. I will ask Mr. Houston those questions. I wanted to get into the record, though, what the exact consequences might be on consumer prices. I think that is something the committee ought to consider.

Mr. GUGLIELMI. When we talk about consumer prices, I do not think of anybody in the world who pays less for food than the American consumer.

Senator COCHRAN. Right. I have no quarrel with that, about 16 percent of net disposable income.

Mr. GUGLIELMI. Compared to some countries that pay over 50 percent. So we have a long way to go before it—and I would never see it getting that high.

We have the most efficient machine—and I call it a machine because it is just about a machine—for producing commodities in this country of ours. It is a—we talk about all the problems of agriculture, but very seldom do we ever talk about the benefits and the good things that come out of agriculture.

It is the only thing we have. When we want to hurt anybody else or put an embargo, the only thing we can do is food because that is all we really ship out. And it is because of our efficiency is the reason that we are sometimes hurt by things outside of our control.

But that is the way we are.

Senator COCHRAN. Thank you very much for being here. We appreciate your contribution to the hearing.

Mr. GUGLIELMI. I appreciate it.

Senator COCHRAN. Now we will hear from Ed Houston, representing the Egg Industry Task Force.

Welcome to the hearing.

Mr. HOUSTON. Thank you very much, Senator.
Senator COCHRAN. Proceed as you wish.

STATEMENT OF EDWARD L. HOUSTON, CHAIRMAN, EGG INDUSTRY TASK FORCE

Mr. HOUSTON. Thank you very much, sir.

Senator, of course, my name is Edward L. Houston, and I am an independent egg producer from Lumber City, Ga. And that is in south central Georgia. And of course I am extremely proud of the fact that I was born and raised on a small row crop farm in Georgia.

I entered the egg industry in 1947 along with my partner Gene Sutherland, and we presently operate an egg-laying operation, including pullet rearing and egg production, processing, and distribution.

I have the honor of presently serving as chairman of the board of two of the leading egg industry organizations, which are Southeastern Poultry & Egg Association, and the United Egg Producers.

However, today I am here representing or presenting a statement on behalf of the industrywide task force, which I had the honor of serving as chairman, that was formed following a meeting in April of over 100 independent egg producers with Agriculture Secretary Block.

These producers came to Washington out of economical desperation, and all indicators pointed toward the continuation of a 3-year cycle of below-cost production of eggs. Our problems as egg producers were compounded by the Government grain PIK program, which increased our cost of production by 3 to 7 cents per dozen at a time of year when egg prices are traditionally low, after Easter. Producers have not been able to recover this increased cost. An industrywide task force made up of egg producers, representatives from regional and national egg organizations was formed.

These egg producers on the task force represented the following organizations: United Egg Producers, Midwest Egg Producers, National Egg Co., Northeast Marketing Association, West Coast Egg Producers, U.S. Egg Marketers, Southeastern Independent Egg Producers Association, Southeastern Poultry & Egg Association, Pacific Egg & Poultry Association, New England Brown Egg Council, and also the Georgia Poultry Federation. These organizations are either represented here today by testimony or have supported this statement of the Egg Industry Task Force.

The task force met in early May of this year in order to develop recommendations to USDA and the egg industry for short-term and long-term solutions to our problems. To help the industry in the short term, the task force asked USDA to implement a surplus removal program for eggs and egg-laying hens. Utilizing currently available funds, the program would function within the existing structure of commodity purchases and distribution.

The USDA did respond immediately by buying over 25 million dollars' worth of product. Their actions helped support the market, and we certainly appreciated their quick response.

We also asked for export assistance to fill a current order for eggs. We think and commend the members of the Senate Agricul-

ture Committee who have supported our efforts to achieve this export order. But at the present time we do not have a confirmation of this sale, but feel that with the help of USDA we will be able to complete this sale.

The task force recommendations were directed primarily toward short-term relief and the immediate needs of the industry. Without a long-term program, we could very well be back at USDA's door again. Therefore, the task force recommended that the egg industry seek inclusion of eggs in the Agricultural Marketing Agreement Act of 1937.

One of the reasons the task force recommended amending the 1937 act was that during our discussions with USDA we found that if eggs had been included in the act of 1937, we would have had options which would have been more beneficial to the industry than the purchase program.

Also, in studying the 1937 act, we feel that certain provisions could prove helpful in determining the long-term direction of the egg industry.

If eggs were included in the act of 1937, it would provide the Secretary of Agriculture and the industry with the authority to develop regulations providing for some of the following: Limiting the quantity of eggs or any size or grade marketed during a specific period; allocating the quality of eggs a handler may market during a specific period; determining the existence of a surplus and providing for distribution of surpluses; establishing a reserve pool of eggs; and mandatory inspection or research projects for the promotion of eggs.

At the present time we have no concrete marketing order or agreement in mind. But we would like to work with the USDA in developing a marketing order or agreement that the egg industry could evaluate. We feel that we should pay our own way. We would be willing to pay for any cost incurred in developing this marketing agreement as well as operating costs.

We, as an industry, have paid our own way with the American Egg Board and in our grading and inspection service provided by USDA.

And I would like to point out that we have support of the Secretary of Agriculture, which I submit as exhibit A.[1] The letter states:

> We believe marketing orders are a useful tool for producers, and they have worked well for several fruit and vegetable and specialty crops. In administering these crop orders, we have made a strong commitment to eliminate those few issues which create barriers to entry by new producers. If it is the desire of the egg industry to explore the merits of a marketing order, we would be most happy to work with you.

We, as an industry, of course, were extremely pleased that the Secretary of Agriculture was willing to give us a chance to develop our own program.

Mr. Chairman, at the present time all we ask is that we have the opportunity to explore with the USDA the merits of a marketing order or agreement. We are here asking for the legislative authority to start talking with USDA following the framework of their guidelines to come up with a marketing order or agreement that

[1] See p. 36 for a reprint of the letter from Secretary Block.

will work for us. Maybe we will find out that there is no solution to our problems, but we do feel that we must make an effort to assure the long term stability of our industry.

I reemphasize the strong unity of purpose we egg producers now have to see this amendment go through and remove this exclusion. And we are asking for prompt consideration and passage of Senator Heflin's bill, S. 1368, so that we can get down to the business of addressing this industry's problems with the maximum possible flexibility allowed by law.

We just want the opportunity that other commodities have, and it is a simple and noncontroversial amendment. We have suggested some minor wording changes that would clarify the intent of the bill and specify chickens which produce eggs would also be subject to the provisions of the Agricultural Marketing Agreement Act of 1937. I believe the clarifying amendments are being offered today by other witnesses and also the Senator.

Mr. Chairman, again I thank you for giving me the opportunity to appear before your committee and ask for your much needed support. We would hope that we could move rapidly to see that eggs are included in the 1937 act. We trust that there is enough support from this committee to speed up the process so that we can have a chance to find a solution before we lose many more of our egg producers.

Thank you, Senator.

Senator COCHRAN. Well, thank you very much, Mr. Houston. We appreciate your testimony. I think there is no doubt that this committee is going to be very interested in doing whatever seems to be needed and appropriate to help protect the opportunity for egg producers in the United States to operate at a profit.

I think you should be congratulated for getting together a task force of producers around the country to try to work together in finding a solution to what obviously is a very serious dilemma that we are in.

I think our consumers have a fairly vital stake in the well-being of our domestic egg industry, too. I think we would hate to see a situation where a large number of producers did go broke and were taken over, in effect, or the industry was taken over by a few large corporate entities who could then run the prices up as high as the market would bear and absolutely make it very, very difficult for a lot of people to purchase at reasonable prices these important commodities.

So we are interested in the findings of this hearing. I am interested in them and I think the other members of the subcommittee, when we have an opportunity to discuss them, will want to do what seems to be appropriate and helpful under the circumstances.

And I think we would like to know, though, what some of the practical consequences to consumers and to others might be if we do approve this legislation.

You heard my questions that I was asking Mr. Guglielmi about prices, consumer prices at the supermarket or in the stores.

What is your estimate on the impact to consumers a marketing order will have?

Mr. HOUSTON. I think they might have more consequences if we do not develop some long-range program that will certainly level

off our egg prices because we have already had a drop from 6,000 to roughly 3,800 producers in this country.

And if we keep the prices depressed as we have right now, then I guess there is a real possibility for the consumer that it might work in reverse for them. They might have to pay a heck of a lot higher price for eggs. That is just a conjecture.

But, Senator, we need probably 10 to 12 cents a dozen now to get back to some sort of—at least a small profit level. And, in fact, we need really a 79-cent market, and as I told you before, then the producer at the farm level only gets roughly 26 cents back of that at the farm level.

So you can see that the price that is quoted versus what the producer is actually able to put in his pocket, there is a lot of difference. And of course there are a lot of reasons why that price, 26 cents below the market, is what the farmer gets because you know there is discounting that goes on in the industry. And, of course, there is cost that is developed in processing and marketing the product.

So we need a 79-cent market really to get into making a fairly decent profit. We have a 69-cent market now. So we need at least a 10-cent market increase.

And I do not know any producer in this country that wants the housewife that is buying our product to be overpriced. All we want is a fair profit so that we can produce one of the most nutritious products on the market. We do not want to hold anybody. We just want a decent profit, and I think we deserve it.

We are not getting now and have not gotten it for 3 years.

Senator COCHRAN. Well, thank you very much. I think you made an excellent statement and a good presentation to the committee. We appreciate it. Thank you.

Our last witness is H. H. (Bill) Adams from Piedmont, Ala. You are not kin to Fred Adams, are you?

Mr. ADAMS. He's my uncle.

Senator COCHRAN. He is your uncle?

Mr. ADAMS. No.

Senator COCHRAN. You are kidding me.

Mr. ADAMS. I claim him.

Senator COCHRAN. You claim him, anyway.

Mr. ADAMS. Yes, sir.

Senator COCHRAN. Welcome to the committee, Mr. Adams. We appreciate you being here.

STATEMENT OF H. H. ADAMS, PIEDMONT, ALA.

Mr. ADAMS. Thank you, Mr. Chairman and members of the committee. I appreciate you affording me the opportunity to testify before this distinguished committee. I especially would like to express my appreciation to my distinguished Senator, Senator Howell Heflin, for having introduced this legislation for us.

My statement, the original plus a package of copies was mailed in and you should have had them before now. If they do not get here in proper time, then, of course, I have other copies I will supply you for the record.[1]

[1] See p. 37 for the prepared statement of Mr. Adams.

As everyone knowledgeable in American agriculture knows, agricultural economics, generally, have been bad for several years. This was demonstrated by farmers in Washington during the past few years.

The problems of egg producing farmers are likely greater than those of other people in agriculture. I think this is definitely true.

Let me stop here to say this. I am the executive director of Southeastern Independent Egg Producers. This organization is made up of family farmer egg producers. There are no large, horizontally integrated corporate stock corporations in our membership group.

The group that I represent in Alabama, Mississippi, Florida, Georgia, and Tennessee are 90-percent solid behind this legislation. There are a few that we have not been able yet to get into our meetings to get their support.

Not many years ago there were hundreds of independent family farmer egg producers in the Southeast. Four years ago there were about 100 left in the area that I represent. More than 30 percent of these have closed their operations during the past 4 years.

There are 22 independent family farmer egg producers left in Alabama; of these, at least 16 are in serious financial difficulty today. Some would say this has been normal purging of industry inefficiency and obsolescence. Now this may have been true 20 or 30 years ago, but the people who have failed in the past 4 years were producers who ranged in size from 15,000 hens to a million or more hens. And from those buying finished feed from a major feed company and producing nest-run eggs for sale—that is, not processing and marketing—from that level to vertically integrated producers who produce their replacement pullets, produce, process, and market their own eggs, grind and mix their own feed, the whole bit, vertically integrated from the ground up. These have been the industry's best producers and more than 50 percent of these remaining independent family farmer egg producers are now the ones at the point of bankruptcy.

The economic problems of the egg industry have been progressive and have been influenced by many factors, some of which can be blamed on the industry itself, but many of these contributing factors, as you have heard from other testimony here today, to the nonprofit position of the egg industry during the past 3 to 4 years are directly related to factors beyond the control of the producers themselves.

And several are directly related to Federal programs such as the export embargoes and the PIK program.

Now, I hasten right here to emphasize that the egg producers whom I represent do not object to the PIK program, which was implemented to relieve the economic crisis of grain farmers. But our egg producers do feel strongly that they should be afforded economic protection equal to that provided other producers of agricultural products, especially when the Federal program designed to help other farmers ends up increasing production costs for egg producers.

I do not suggest that this legislation will cure all the ills of the commercial egg industry. The problems are far too great, and the time required to process such legislation and move it to a point of

implementation will not permit this legislation to address the problems fast enough to save all of our remaining egg producers.

But without this legislation to open doors for greater and fast self-help programs and provide the vehicle for other controls and balancing mechanisms that are necessary to assure the American people an ample supply of eggs at fair and equitable prices while at the same time providing a fair return on labor and investment to the farmer producers, our remaining family farmer producers will fail and the general economy will suffer in direct proportion.

In fact, some of our local lending institutions who are already feeling the impact of the economic stress which is being experienced by other farmer borrowers may not be able to survive the failure of their egg-producing borrowers.

And the horizontally integrated stock corporations who produce eggs cannot respond fast enough, nor can they, nor will they produce eggs and sell them for less than will family farmer egg producers, the group of people whom I am working so hard for. And the consuming public will end up paying more for eggs if we let our family farmers fail.

That is one of the points I think you were driving at before.

Because of the urgency of this problem and the impending financial ruin of our remaining egg producing farmers, I urge you—in fact, I beg you—give this legislation a favorable report and use your influence to pass it in the Senate and the House and do all you can to influence its being signed into law.

We will do our best to hang on as an industry until this program and others can be put into action.

Of course one could talk for hours about economic disaster facing the commercial egg industry and the data and material to make our case is easily accessible. But United Egg Producers have the research data, and they will supply in detail whatever you need, I am sure.

Therefore, I am not going to burden this committee with a lot of duplication. Our little southeastern group of independent producers have worked long and hard and now I believe the egg industry is reasonably will united behind this legislation, about as well as you are ever going get an industry to unite behind anything.

Finaliy, Mr. Chairman and members of the committee, I am sure you know the problems of agriculture. You know the plight of egg producers and you know what needs to be done if we are to save our remaining egg producing farmers. You know their land, their homes, their ability to educate their children, and even some of their lives are at stake in this issue.

You also know the failure of these family farmer egg producers will contribute nothing to the betterment of America. Therefore, with these few comments, I will leave our case in your hands. And I am confident right will prevail.

Senator COCHRAN. Mr. Adams, that is an excellent statement, and I congratulate you on it and commend you for the involvement that you are bringing to this problem on behalf of the independent egg producers of the Southeast. You have my assurance that we will study this problem carefully but quickly and try to come up with a report to the full committee at a very early date about whether or not the bill ought to be approved.

We will be consulting with the Department and get their reaction to the legislation. We had hoped to be able to have testimony from a representative of the Department today, but we were unable to obtain that in time for this hearing. But we will get input from the Department, get their reaction to it, and then proceed to deal with the legislation.

But thank you very much for being here.

Mr. ADAMS. Thank you, Mr. Chairman.

Senator COCHRAN. With that, the subcommittees stands adjourned.

[Whereupon, at 10:52 a.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. WALTER D. HUDDLESTON, A U.S. SENATOR FROM KENTUCKY

Mr. Chairman, I commend you for promptly scheduling this hearing on S. 1368, a bill to permit the Secretary of Agriculture to issue marketing orders relating to the handling of eggs.

The egg producers of this Nation are facing low prices for their product and declining exporter sales volume. Many egg producers will not be able to stay in business if their income and markets continue to shrink.

S. 1368 provides a self-help measure for egg producers by expanding the scope of the Agricultural Marketing Agreement Act of 1937 to include eggs. Egg producers would be able to establish a marketing order for eggs. They would be able to establish research, promotion, and supply management programs. Such programs are administered at the local level by market administrators or committees whose expenses are financed by assessments on regulated handlers.

This approach has enabled producers of other commodities to work together to bring supply into line with demand, thereby preventing sharp fluctuations in prices that can determine the longer term vitality of producers. Marketing orders for other commodities have protected the interests of consumers and farmers alike and I am interested in hearing the views of today's witnesses concerning the usefulness of the concepts for the egg industry.

STATEMENT OF HON. TONY COELHO, A REPRESENTATIVE IN CONGRESS FROM THE 15TH DISTRICT OF CALIFORNIA

Mr. Chairman, Members of this Committee, I appreciate your giving me the opportunity to testify before you today. This committee is receiving testimony regarding legislation which is very important to the egg producers of this nation, and to my district. This bill would include eggs in the Agricultural Marketing Agreement Act of 1937.

Domestic egg producers have a history of being strong-willed, independent businessmen and women. When the industry was healthy, they flourished together, and when the industry was suffering, they suffered together. The industry, as an industry, has cooperated extensively with the United States Department of Agriculture to implement voluntary programs which would improve the industry. Two prime examples of these voluntary efforts are the USDA grading and inspection program, and the American Egg Board, which promotes the use of eggs.

Currently, domestic egg producers are suffering badly. The number of domestic egg producers has deceased dramatically in the last two years, and those that have been able to survive have been forced to sell their eggs at prices below the cost of production. Recently, one of the factors which has injured egg producers substantially was a program implemented by the USDA, the grain PIK program.

The industry, having been able to adjust to natural market factors in the past, has been unable to adjust to artificial factors in the market system, such as the PIK program and the loss of foreign markets to foreign subsidized eggs. The disruption within the industry caused by these two factors alone is very clear. The PIK program resulted in dramatically higher grain costs, grain which egg producers must buy to feed their flocks. The loss of egg exports due to foreign subsidized eggs has caused a domestic egg surplus, lowering the price producers can get for their product. In early May of this year, an all-industry task force of egg producers was developed which worked closely with the USDA to try and deal with the economic crisis which gripped the industry. This industry task force, after meeting with the Department of Agriculture, urged that the industry support an amendment to include eggs in the Agricultural Marketing Agreement Act of 1937.

After this task force recommendation, the United Egg Producers and its member cooperatives began to poll their membership on marketing orders. The four regional cooperatives; West Coast Egg Producers, Midwest Egg Producers, Northeast Egg Marketing Association, and the National Egg Company, cover the commercial egg production of the entire nation. The producers in these cooperatives voted overwhelmingly for an amendment to the Agricultural Marketing Agreement Act of 1937. Then, in a board meeting held last month, the Board of Directors of United Egg Producers voted to seek an amendment to the 1937 Act to include eggs. The egg industry has extensively considered this alternative and has determined that it would be best for the industry.

My interest in the passage of such an amendment is spurred by the many contacts I have with constituents of the district and state which I have the honor of representing. California is the largest egg producing state in the nation with over 32 million egg laying hens. This figure is equal to approximately 11 percent of the total U.S. hen population. If the Commerce Department conducted a census of egg-laying hens, my district would be one of the most heavily populated.

Mr. Chairman, today I will introduce a bill in the House of Representatives amending the Agricultural Marketing Agreement Act of 1937 to include eggs. This bill is very similar to S. 1368 which was introduced by Senator Heflin and which this committee is considering.

Senator Heflin's bill will merely provide the egg industry with the opportunity to determine whether they, as an industry, need some of the programs offered under the act to cure ills from which the egg industry suffers. I commend Senator Heflin for introducing this important piece of legislation, and I feel assured that this committee will review this legislation in a favorable light. Once again, I thank you Mr. Chairman and the members of this committee for giving me the opportunity to testify before you.

STATEMENT OF WAYNE A. BOUTWELL, PRESIDENT, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. Chairman, my name is Wayne Boutwell and I am President of the National Council of Farmer Cooperatives. I appreciate the opportunity to come before the Committee this morning and present testimony on S. 1368 introduced by Senator Heflin. The National Council supports this legislation and urges its quick adoption by the full Senate.

The U.S. egg industry is suffering through one of the most difficult periods in their history. In less than 1½ years, ending in December 1982, the number of egg producers declined 35 percent, from more than 6,000 to less than 4,000. A major factor which has led to continued declines in producer numbers has been the loss of key export markets mainly due to subsidized foreign competition. The resulting price decline has placed egg producers in a severe cost/price squeeze.

In 1981, the United States exported 234 million dozen eggs with the two largest markets being Japan (73 million dozen) and Iraq (27 million dozen). However, in 1982, the United States experienced a 31 percent decline in egg exports, falling to 158 million dozens. The two largest markets, Japan and Iraq, fell by a total of 37 million dozen. Much of this decline was due to increased subsidized egg exports by Brazil and France of about 9–11 cents per dozen. The significant decline in export demand contributed to a 4¢/dozen decrease in the U.S. farm prices.

S. 1368 does not implement a marketing order program for the egg industry nor will it require that the industry develop one. The legislation merely provides the industry with the opportunity to consider whether it wants and needs the types of programs provided for under the Agricultural Marketing Agreement Act of 1937. If this legislation becomes law, the industry will have to decide if an order is needed. If a determination is made that an order is needed, the order will be developed by the industry in cooperation with USDA and implemented only after passage of a producer referendum.

Mr. Chairman, the National Council is not here today to make a determination on whether an order program is needed by the egg industry. That is left up to the industry. I am here today to help shed some light on the benefit of marketing orders. The National Council has a number of cooperative members who have had years of experience under federal marketing order programs. Unfortunately, marketing order programs have been criticized by the uninformed and attacked by those that do not understand their benefits. In the past we have assumed that since it was clear that marketing orders were beneficial to both producers and consumers that it was not necessary to spend a significant amount of time on their defense.

However, over the past 2 years, we have seen continuous attacks by the Office of Management and Budget on the marketing order programs. These attacks have lead to changes in the programs which could eventually lead to great instability within the commodity sectors with orders. With these attacks, however, came a change in industry attitude. We are here today in an effort to inform the public about the benefits of marketing orders.

Therefore, Mr. Chairman, I would like to take a few minutes to do just that.

MARKETING ORDER PROGRAM

The major purpose of a marketing order is to permit an orderly flow of high quality farm commodities to the market. In that way we can avoid at least some of the economic hardships to farmers during times of excess supply, and conversely protect the consumer against scarcity and very high prices in years when production falls short.

A marketing order is a regulatory program issued and supervised by the Secretary of Agriculture. It is an agreement among the producers and handlers within a particular commodity group dealing with:

(1) quality control standards;

(2) research and promotional programs; and/or

(3) supply management programs.

Requests for orders are usually initiated by producers, although the Secretary, too, has that power, and they have been used extensively since the passage of the Agricultural Marketing Agreement Act of 1937. Currently, there are nearly 50 orders in effect covering all or part of the U.S. production and sale of 33 different commodities.

CRITICISMS OF MARKETING ORDER PROGRAMS

Order programs are criticized by some free market economists who state that:

(1) The supply management tools (i.e. reserves and prorates) used in various order programs are not consistent with appropriate public policy;

(2) Marketing orders maintain prices at higher levels than what would occur in the absence of the order; and

(3) Consumers are continuously ignored in establishing marketing order operating policies.

As a result of these criticisms marketing orders are one of the most reviewed and studied federal regulatory programs. Since their inception in the late 1930's, 36 different studies have been completed—14 of these since 1970.

Let's look at each of the above criticisms and show how they simply are not supported by our experiences, the facts, or the studies.

The most controversial function of the order program is the supply control feature.

Agriculture in general has two problems when it comes to production:

(1) Weather has more to do with production variability than any other single factor.

(2) Production is generally seasonal, requiring distribution during the year.

A number of farm programs have been implemented to address these very basic problems facing agriculture. I have included in the appendix a table and short explanation of the programs for the major commodities for information purposes, but I will concentrate on marketing orders.

The supply control mechanisms contained in marketing orders provide consumers with a stable, dependable supply both between years and within a year. For example, during times when we have large oversupplies, a portion of the tonnage can be held in reserve to be used during another year when weather or other conditions may cause production to fall. In addition, the prorate provisions take care of the fact that production is seasonal and consumers enjoy the products during the entire year. The prorate allows for the distribution of supplies to ensure a stable, high quality supply of produce at reasonable prices over a full year.

Rather than talk in theory, I would like to give you two recent examples which illustrate the benefits of the supply control provisions to both consumers and producers. The first is an example of raisins. California produces all of the raisins in this country and about one-third of the world's supply. Typically, the weather is fine for both growing and drying. However, every year is not normal. In 1982, the raisin industry was looking at a potential 300,000 ton crop—almost 100,000 tons more than the average U.S. annual sales of raisins both here and abroad. The growing conditions had been excellent and because of the depressed market for wine, growers had directed more grapes to make raisins than in recent years. However, unexpected

September rains came and literally destroyed over half of this large crop. Because a reserve pool of raisins from the prior year had been established, an ample supply of high quality raisins was available for the 1982/83 marketing year. From the consumers perspective, despite this crop disaster, there was little change in the supply or the price of California raisins at the marketplace.

The second example is almonds. The almond industry has recently witnessed a classic example of how marketing orders work. In the summer of 1981, the almond industry was facing a large carry-over from the 1980 crop, due to record production in both California and Spain. The total world supply was expected to be nearly twice as large as the record for world almond consumption. After considerable discussion within the industry, a 25 percent reserve was established. With the establishment of the reserve, price declines stopped, and eventually prices began to improve.

In both of these cases, the costs of the reserve programs were borne entirely by the producers.

A second criticism often levied against marketing orders is that they cause consumers to pay higher prices than in the absence of order programs. However, the overwhelming evidence presented in the studies that have been completed over the last 40 years have shown this not to be the case. A USDA study released in 1981 entitled "Effectiveness of Federal Marketing Orders for Fruits and Vegetables" written by Edward Jesse and Aaron Johnson, Jr. looks at the impact of marketing orders on consumer prices. Jesse and Johnson, considered two of the leading marketing order economists in the country, concluded in their study:

"This analysis, using statistical measures of price level and price variability for 1952–79, found little or no correlation between theoretical potential of orders to enhance producer prices and the commodities' actual price patterns.

Later in the study Jesse and Johnson state:

"The critics' charges that consumers are hurt by high prices attributable to orders is questionable . . . In relation to comparable commodities not under Federal order, there is little reason to believe that orders have resulted in price performance generally detrimental to consumers.

The final criticism of the marketing order program, Mr. Chairman, is that consumers have no input into the operation of the programs. As I stated earlier, individual marketing orders are administered by committees consisting of producers. However, prior to any changes in the program public hearings conducted by USDA must be held. Anyone interested can testify at the hearings. Just recently a series of hearings were completed regarding changes to the navel orange order. Originally expected to last about a week, the hearings lasted for almost three weeks due to the strong producer and consumer interest in the program.

These public hearings provide a forum for both USDA and the administrative committees to gather input on the impact of proposed changes in order programs on both consumers and producers. This open hearing process, which is used throughout the order programs, can hardly be labeled as ignoring the consumers interests.

In summary, marketing order programs provide benefits to the producer, consumer, and the Federal government. Marketing order programs give the producer an opportunity to protect the investment in periods of excess supply and low prices. The consumer, in return, is assured of a long-term supply of high quality produce at a reasonable price. In addition the marketing order programs are operated virtually free of large federal expenditures.

There are many reasons a particular commodity sector may find itself with supply in excess of demand.

In the past it has primarily been due to favorable weather and the associated above average production.

During recent times it has been a combination of high production and loss of export markets due to conditions beyond the control of farmers. Many commodity sectors, the administration and Congress are now struggling with how to deal with this problem.

In particular, the egg industry's problem is primarily the result of the loss in exports due to subsidies by our competitors. When you gear up to supply one level of demand and suddenly it is reduced, the result is an over supply and depressed prices for the remaining market.

Clearly this is a problem that a marketing order could address.

We believe the egg industry should have the opportunity to decide whether or not a marketing order could help during this period of adjustment. Again, S. 1368 would not mandate that an order be established—rather, it simply provides the industry with an opportunity to consider whether an order program could be beneficial. The National Council supports S. 1368 and urges its adoption by this Committee.

PROGRAM TOOLS

Commodity	Price Support	Income Support	Production Adjustments			Supply Management		
			Allotments	Paid Diversion	Acreage Reduction	Reserve	Orderly Marketing	
							Quotas	Order
FEEDGRAINS	X	X		X	X	X		
WHEAT	X	X		X	X	X		
COTTON	X	X		X	X			
RICE	X	X		X	X			
SOYBEANS	X							
DAIRY	X							X
SELECT FRUIT, VEGTABLE, & TREE NUTS								X
PEANUTS	X		X				X	X
TOBACCO	X		X				X	

PROGRAM TOOLS:

1). Price Support Loans: The price per unit (bushel, bale, pound) at which the Commodity Credit Corporation (CCC) will provide short-term loans to farmers to enable them to hold their crops for later sale. A producer has the option of repaying the loan with interest or forfeiting the commodity over to the CCC.

2). Income Support: Target Prices - A minimum level of income support determined by law to provide an economic safety net for producers. The target price becomes the price support level at which the Government will bolster farm income by making direct payments to qualifying farmers when the national average market prices fall below the target price.

3). Production Adjustments:

Allotments-------- The individual farm's share, based on its previous production of the national acreage needed to produce sufficient supplies of a particular crop, Allotments only apply to peanuts, tobacco, extra long staple cotton, hops, and spearmint oil.

Paid Diversion---- A program designed to reduce production by paying farmers (on a per unit basis) to reduce production below their average planted acreage. A producer must put his diverted acreage in some soil conserving use.

Acreage Reduction- A farm program tool used to designate the proportion of a farmer's cropland acreage that the producer must plant to soil conserving uses (such as grasses, legumes, and small grain which is not allowed to mature) in order to be eligible for price support payments and loans.

4). Supply Management:

Reserve---------- The 1977 Food and Agriculture Act established a producer storage program for wheat and feedgrains by providing loans to producers, repayable in 3 to 5 years. Producers receive annual payments from the CCC to help pay for the costs of storage. Under the program, the producer agrees not to sell grain in the reserve until the national average market prices reach a predetermined "trigger" level. Once these levels are reached, the producer may repay the reserve loan and sell the grain without penality. Producers who sell grain in the reserve before the trigger level is reached are required to pay a penality.

Marketing Quotas--That quantity of a crop that will provide adequate and normal market supplies. This quantity is translated into terms of acreage needed to grow that amount and allotted among individual farms, based on their previous production of that commodity. When marketing quotas are in effect, growers who produce in excess of their farm acreage allotments are subject to marketing penalities on the "excess production " and are ineligible for Government price support loans.

Marketing Orders-- A means authorized by the Agricultural Marketing Agreements Act of 1937, to permit agricultural producers collectively to influence the supply and demand for a particular crop or commodity in order to improve the orderly marketing of the crop or commodity. Once approved by a required number of producers - usually two-thirds - of the regulated commodity, the marketing order is binding on all handlers of the commodity in the area of regulation. The marketing order authority is broad and varied, but the basic purpose is to insure consumers of a reasonable supply of high quality fruits, vegtables, tree nuts, and milk while providing producers with a fair return on their investment.

THE STATE OF ALABAMA,
DEPARTMENT OF AGRICULTURE AND INDUSTRIES,
Montgomery, July 7, 1983.

Hon. HOWELL HEFLIN,
Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR HEFLIN: This is to inform you that I am very concerned with the economic health of the egg industry in the State of Alabama.

I note that you have introduced legislation to amend the 1937 Agricultural Marketing Agreement Act to include table eggs. I support this legislation because I feel that the industry may determine that inventory control may be necessary to bring about economic recovery to this important industry.

I also feel that the loss of family farmers involved in egg production is deplorable. A healthy economy for egg production should provide an opportunity for the family farmer. The Committee on Agriculture, Nutrition and Forestry should review the situation and take appropriate action.

I appreciate your obvious concern in this matter and will support your efforts in any way possible.

Sincerely,

ALBERT MCDONALD, *Commissioner.*

STATEMENT OF ALBERT E. POPE, PRESIDENT, UNITED EGG PRODUCERS

Mr. Chairman, my name is Albert E. Pope, and I am president of United Egg Producers, a national federation of egg marketing cooperatives. I am here today to testify on a proposed amendment to the 1937 Agricultural Marketing Agreement Act that would remove a specific exclusion of eggs from the act. I would like to thank you for your prompt action in scheduling hearings on this bill, and for recognizing the importance it may have to our industry.

U.E.P. has four regional marketing cooperative members. They are the National Egg Co. of Decatur, Ga., which represents producers in the Southeast; Northeast Egg Marketing Association of Durham, N.H., which represents producers in the Northeast; Midwest Egg Producers Cooperative Association of Eldridge, Iowa, which represents producers in the Midwest, and West Coast Egg Producers of Olympia, Wash., which represents producers in the West. Each of these regions are independent marketing cooperatives made up of individual egg producers. The producers chose to federate into a national organization and elect representatives to our board of directors. This grassroots base provides U.E.P. with the ability to work in the interest of the commercial egg producer and collectively develop new and greater opportunities for the industry.

Mr. Chairman, it is my feeling that we may be entering a dramatic turning point for agriculture policy in this country. Will this country meet the challenge to our export markets arising from countries which directly subsidize their agricultural producers in order to export their surplus commodities, or will we capitulate to the European Economic Community and Brazil, surrendering world markets to them?

Will we have an agricultural policy that will enable all farmers and producers of our abundant and varied food supply to benefit equally, or will we continue to bail out one sector of agriculture at the direct expense of another? Will we have an agriculture policy that will continue to assure consumers of this abundant and varied food supply? Will producers of food in this country be able to provide that food if they cannot make a reasonable return on their investment? Farmers as a group are dedicated, hardworking individuals who want to do what they do for a living, but how long can they do so when returns on investments are so low?

These questions must be asked; must and will be dealt with in the very near future by this committee. But I am here today to testify on one thing only, in favor of an amendment to the Agricultural Marketing Agreement Act of 1937 to remove the specific exclusion of eggs from the act. This amendment is in the form of a Senate bill, S. 1368, which was introduced by Senator Heflin. Companion legislation will be introduced in the House of Representatives with bipartisan support.

Under the act, producers and handlers of certain commodities may voluntarily agree to establish programs within their industry which are designed to solve certain problems characteristic of that sector of agriculture. Most agriculture commodities are included within the act, and the producers of these commodities may develop marketing orders or agreements in cooperation with the USDA. Eggs are specifically excluded from the act, and this legislation would merely provide the egg producers with the same opportunity most other commodity producers currently

have—to develop a marketing order or agreement to deal with the marketing problems in their industry.

Marketing orders or agreements have made valuable contributions to the stability of many of our agricultural commodity markets. In addition to assuring orderly markets for both producers and consumers, marketing orders and agreements have provided for quality control assurance, research and promotion, and other market support activities. I assure you that we are not blind to the problems and supposed abuses of some orders, but we strongly believe that we can benefit from the collective experience of these other commodities, and perhaps develop the best possible marketing order allowable under the law and within the framework of USDA's guidelines.

Mr. Chairman, we feel that the egg industry should have the flexibility of being included in the act. Our egg producers, particularly small and independent producers, are suffering through one of the most difficult periods in their history. Because egg proudcers have had to sell their eggs below the cost of production for an extended period, egg producers have gone out of business in record numbers. In less than 1½ years, ending in December 1982, the number of egg producers dropped from more than 6,000 to less than 4,000, a decrease of more than one-third. However, although these are fewer producers, there are no fewer chickens and certainly no fewer eggs!

The difficult question I asked at the outset are reflective of what has ailed the egg industry the last few years. We lost a U.S.-developed export market, where we were selling eggs at fair market value based on U.S. prices, to the heavily subsidized egg producers from the European Community. We have been unable to regain that market. The amount of eggs we were able to export in 1981 and part of 1982 were helping the U.S. egg industry through an adjustment period by removing some of our surplus. This loss of market overseas demanded a faster and more painful adjustment of supply to meet domestic demand, and the egg industry began to make that adjustment.

Then, earlier this year, the industry was hit with a rise in feed cost due to a combination of government programs for feed grains—PIK, farmer-owned reserve, and target prices. We certainly do not begrudge a profit for grain farmers, but we are captive customers. egg producers, as well as broiler producers, must feed their chickens corn and soy meal. They cannot switch to silage, hay or other foodstuffs as some other sectors of animal agriculture can. And chicken feed isn't chicken feed today! Feed costs amount to 70 percent of the cost of production, and those costs went up five to seven cents per dozen eggs produced in a three-month period. Our pricing structure could not take the increased cost into account that quickly, especially when the increase came at a time of year that traditionally brings the lowest prices for egg producers—post-Easter—when consumer demend drops off. This increase cost has again demanded supply adjustment, and we do not foresee 1983 as being a profitable or even break-even year for a majority of egg producers.

We have come to the realization that egg producers cannot control these factors which are artificially produced in the market system. Our Government programs and actions affect our feed cost; foreign government actions and policies have affected our export markets; U.S. Government policy could affect our exports as witnessed in the 1980 Russian grain embargo. Foreign government policy can even affect the number of eggs imported in the United States. Specifically, recent Canadian border problems where Canada has sent their surplus production into an already glutted U.S. market. At the same time, as hard as it is here for egg producers, it is obviously better than some other places in the world because foreign investors find the United States an attractive place to expand. Not having experienced the long history of up and down cycles that have bled U.S. producers dry, these foreign investors have ample capital and believe they can wait out the current down cycle and capture U.S. markets from financially strained industrymen. The liberal bankruptcy laws in the United States have also worked to the overall disadvantage of the egg industry. When a possibly poorly managed operation cannot make it, the owner may chose to file bankruptcy. The producer is then operating debt-free, or has sold out at cents on the dollar, and can now produce eggs at a lower cost than his competitors, as they still have the high cost of money to factor into their overall costs.

A combination of these factors and others has left the egg industry with grave problems which require the flexibility that a marketing order or agreement could provide us.

This legislation you are considering today, S. 1368, will not implement a marketing order or agreement for the egg industry, nor will it require that the industry develop one. It will merely provide the industry with the opportunity to consider whether it wants and needs the types of programs provided for under the act. If the

industry does decide that a marketing order or agreement is required, it will be developed by the industry in cooperation with the USDA and under the guidelines established by the USDA. The order or agreement must be approved by two-thirds of the domestic egg producers, or those producers responsible for two-thirds of total U.S. egg production. In addition, the Secretary of Agriculture has veto power over anything the industry may develop. It is important that we provide our egg producers with this flexibility to help themselves, realizing fully that it is not a cure-all and certainly is not going to bail them out immediately.

The egg industry has carefully considered the pros and cons of asking for an amendment to the 1937 Agricultural Marketing Agreement Act. Two years ago, a U.E.P. marketing task force recommended that the industry seek this amendment and began studying the benefits of a marketing order or agreement. In early May of this year, an all-industry task force of egg producers urged that the industry support an amendment to include eggs in the 1937 act. This was an emergency task force that was appointed by the industry organizations to deal with the economic crisis which gripped the industry. We support the position of the task force.

After the task force made this recommendation, the United Egg Producers and its members' regional cooperatives began to poll their membership on whether or not to seek an amendment to the 1937 Agricultural Marketing Agreement Act. The four regional cooperatives which I listed at the beginning cover the commercial egg production of the entire Nation. The producer-members of these cooperatives voted overwhelmingly in favor of an amendment to the act. Then, during U.E.P.'S board meeting in late June, the board of directors of United Egg Producers voted to seek an amendment to the 1937 act to include eggs.

The legislation before you is very simple. It merely amends the Agricultural Marketing Agreement Act of 1937 to remove the language that excludes eggs. We have also suggested additional wording to clarify that hens which produce the eggs could also be subject to provisions of a marketing order or agreement, as well as changes in the introductory statement that better describes the purpose of the amendment.

Mr. Chairman, I hope that this legislation, which will cost the Government no money and will not force the USDA to adopt any questionable programs, will receive favorable consideration by Congress and the support of the administration. Egg producers are traditionally free enterprisers and believers in the democratic process and the right to be heard. Egg producers are willing to take the responsibility for the cost of any such program—they were one of the first commodities to pay USDA for the administration of a promotion and research order and for inspection and grading services. Please give us this flexibility to make a choice and have a hand in our ultimate destiny.

STATEMENT OF JOHN GUGLIELMI, CHAIRMAN, EXECUTIVE COMMITTEE, SOUTHEASTERN POULTRY & EGG ASSOCIATION

Mr. Chairman, I am John Guglielmi, Vice President, Holly Farms, North Wilkesboro, North Carolina.

I serve as Chairman of the Executive Committee for the Southeastern Poultry & Egg Association. The Association represents all segments of the poultry and egg industries, including on-farm producers of eggs. Membership in the Association is voluntary. The members produce approximately 37 percent of the commercial eggs. The Association is headquartered in Decatur, Georgia.

This position paper is based upon a thorough review of the issues and concerns confronting the commercial egg industry by the Egg Committee of the Association and the Board of Directors.

We appreciate the opportunity to express our views on the needs of the egg industry and to support the request for an amendment to the Agriculture Adjustment Act, as amended and re-enacted by the Agricultural Marketing Agreement Act of 1937, to include commerical table eggs and light breed fowl under the Act. The purpose of such amendment is to permit the Secretary of Agriculture to structure marketing orders, if and when the egg industry deems it to be in the best interest of the table egg producing industry, and for the Secretary to hold referendums for egg producers to vote before such marketing order becomes effective.

We respectfully request that the proposed legislation, S. 1368, be amended to (1) clearly identify the intent to include the light breed fowl, (2) to identify "eggs," for the purpose of this legislation, to mean unfertile commercial table eggs, and does not include eggs from the broiler breed fowl, and (3) to delete from the preamble of the bill the following wordage: "To issue Marketing Orders regulating the handling

of eggs," and substitute the following: "To authorize the development of Marketing Orders for the commercial egg industry."

We interpret "regulating the handling of eggs" to mean "controlling" by regulations and the egg industry is not seeking a supply controlled program at this time. We further interpret the wording to mean that the industry is seeking a Marketing Order for the one purpose of regulating the handling of eggs, when in reality a Marketing Order may provide a number of programs.

Mr. Chairman, with the suggested amendments to S. 1368, the Southeastern Poultry & Egg Association can support its passage. Without such changes the Association must register opposition.

Thank you for the courtesies extended to the industry and for the interest the Committee has in our industry.

[The following letter was submitted by Mr. Houston, see p. 20 for oral reference.]

[EXHIBIT A]

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 8, 1983.

Mr. ALBERT E. POPE,
President, United Egg Producers,
Snapfinger Parkway, Decatur, Ga.

DEAR MR. POPE: This is in further response to the recommendations of the Egg Industry Task Force which were sent to us with your May 9 letter. As mentioned in my May 16 letter, we have taken action on the purchase of egg mix and canned boned fowl and the credit problem. Our efforts in these areas are continuing.

Marketing orders, as you are well aware, are a controversial issue. We believe marketing orders are a useful tool for producers, and they have worked well for several fruit and vegetable and specialty crops. In administering these crop orders we have made a strong commitment to eliminate those features which create barriers to entry by new producers. Nevertheless, if it is the desire of the egg industry to explore the merits of a marketing order, we will be most happy to work with you. I understand Vern Highley and Connor Kennett are scheduled to visit with your Board on this subject at your next meeting.

Egg price discovery has been and continues to be a problem area. This is true for eggs as well as for many other agricultural products. Open market negotiations represent the preferred method of price discovery. But developing market structures in many agricultural industries preclude this form of price discovery. As a consequence, many industries are seeking alternative ways to determine market prices. Committee pricing is one alternative. We believe the more that affected parties are involved—producer, processors, buyers, etc.—the better the system. We will, considering our legal constraints, be happy to work with the egg industry to improve the present system.

The Department recognizes the harmful effects that foreign export subsidies have had on U.S. egg exports, particularly in key Middle East markets. We have aggressively been trying to convince the European Community to be more responsible in their use of export subsidies and have held a series of high-level consultations to resolve our agricultural trade differences. The results to data have unfortunately not been very substantial.

We have set aside a specific portion of the funds allocated for our blended credit program to Iraq to assist egg exporters. This program should enable egg exporters to be more competitive in that market. In addition, we have considered other options to assist exporters, including an export PIK program for eggs. While these proposals have not been enacted, we have not ruled out the possiblity of implementing them if we cannot convince our trading partners to be more responsible in their use of export subsidies.

We are pleased that the task force reaffirmed its faith in the American Egg Board. We endorse these producer self-help research and promotion programs. Understandably, the egg research and promotion effort has had some troubles created primarily by the economic situation. Hopefully, this situation will be corrected soon.

We realize egg producers are going through difficult times. You and your group should be commended for the leadership shown during this period.

Sincerely,

JOHN R. BLOCK, *Secretary.*

STATEMENT OF BILL ADAMS, EXECUTIVE DIRECTOR, SOUTHEASTERN INDEPENDENT EGG PRODUCERS ASSOCIATION

Mr. Chairman, Members of the Committee: As everyone knowledgeable in American agriculture knows, agricultural economics have been bad for several years. This was demonstrated by farmers in Washington during the past few years. The problems of egg producing farmers are likely greater than those of other people in agriculture.

Not many years ago there were hundreds of independent family-farmer egg producers in the Southeast. Four years ago there were about 100. More than 30 percent of these have closed their operations during the past four years. There are 22 left in Alabama. Of these, at least 16 are in serious financial difficulty. Some would say this has been normal purging of industry inefficiency and obsolescence. This may have been true 20 to 30 years ago but the people who have failed in the past four years were producers who ranged in size from 15,000 hens to a million hens, and from those buying finished feed from a major feed company and producing for nest run sales, to vertical integrators who produce their replacement pullets, produce process and market their eggs and grind and mix their feed. These have been the industry's best, and more than 50 percent of these remaining independent family farmer egg producers are the ones now at the point of bankruptcy.

The economic problems of the egg industry have been progressive and they have been influenced by many factors. Some of which can be blamed on the industry. But many contributing factors to the non-profit position of the egg industry during the past three to four years are directly related to factors beyond the control of the producers, and several are directly related to federal programs such as export embargoes and the PIK program. I hasten to emphasize that egg producers whom I represent do not object to the PIK program which was implemented to relieve the economic crisis of grain farmers, but our egg producers do feel strongly that they should be afforded economic protection equal to that provided other producers of agricultural products. Especially when the federal programs designed to help other farmers, end up increasing production costs for egg producers.

I do not suggest that this legislation will cure all the ills of the commercial egg industry. The problems are far too great and the time required to process such legislation and move it to a point of emplementation will not permit this legislation to address the problems fast enough to save all our remaining egg producers. But without this legislation to open doors for greater and fast self-help programs and provide the vehicle for other controls and balancing mechanisms that are necessary to assure the American people of an ample supply of eggs at fair and equitable prices, while at the same time providing a fair return on labor and investment to the farmer producers, our remaining family-farmer producers will fail, and the general economy will suffer in direct proportion.

In fact, some of our local lending institutions who are already feeling the impact of the economic stress which is being experienced by their other farmer borrowers, may not be able to survive the failure of their egg producing borrowers. And corporate egg producers cannot respond fast enough, nor can they, nor will they, produce eggs and sell them for less than will family farmer producers, so, the consuming public will end up paying more for eggs if we let our family farmers fail.

Because of the urgency of this problem and the impending financial ruin of our remaining egg producing farmers, I urge you . . . in fact, I beg you . . . give this legislation a favorable report, then use your influence to pass it in the Senate and House, then do all you can to influence it being signed into law. We will do our best to hang on until this program and others can be put into action.

Of course, one could talk for hours about the economic disaster facing the commercial egg industry, and the data and material to make our case is easily accessible, but United Egg Producers has the research data and they will supply a detailed report, therefore, I will not burden you with a lot of duplication.

Our little southeastern group of independent producers have worked long and hard during the past several months to get this legislation moving. At times, seemingly, ours was the only voice in a nationwide wilderness of confusion and despair, but the egg industry is now united behind this legislation.

Finally, Mr. Chairman and Members of the Committee, I am sure you know the problems of agriculture. You know the plight of egg producers and you know what needs to be done, if we are to save our remaining egg producing farmers. You know their land, their homes, their ability to educate their children and even some of their lives, are at stake. You also know the failure of these family-farmer egg producers will contribute nothing to the betterment of America, therefore, with these few comments, I leave our case in your hands and I am confident right will prevail.

NATIONAL GRANGE,
Washington, D.C., July 21, 1983.

Hon. THAD COCHRAN,
Chairman, Senate Agriculture Subcommittee on Agricultural Production, Marketing and Stabilization of Prices, Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The National Grange, representing small independent table egg producers, appreciates this opportunity to present testimony on S. 1368 introduced by Senator Heflin. The National Grange supports this legislation and urges its quick adoption by Congress.

The Grange has been a strong supporter of marketing orders as a self-help tool for farmers. Marketing orders permit an orderly flow of high quality farm commodities to the consumer at reasonable and stabilized prices. Likewise, marketing orders, when administered properly, provide small producers the opportunity to market their commodity on more equal terms with the larger producers. Therefore, marketing orders are important to the preservation of the family farm structure in American agriculture.

It is indeed unfortunate that the industry waited so long before recognizing the need for marketing orders in the table egg industry. The Grange and other farm organizations tried over the years to include poultry under provisions of the Agricultural Marketing Agreement Act of 1937. All of these previous attempts were opposed by the large producers engaged in the production of table eggs. The results of our failure were well documented by testimony before your subcommittee when the table egg industry testified that the number of producers has been reduced to 3,800. Tens of thousands of independent egg producers have been eliminated during the past two decades, many of which could have been saved if those producers could have had the marketing advantages provided in marketing orders.

We agree with Mr. H. H. (Bill) Adams, President of the Southeastern Independent Egg Producers, that quick action must be taken if the few remaining independent producers are to be saved. This is not only true in the Southeast, but also in Pennsylvania and other states in the Northwest where independent producers are fighting for their financial life.

The Pennsylvania producers that have contacted the Grange maintain flocks of from 100,000 to 250,000 birds. They are having a very difficult time in making ends meet. Their competition, primarily, is from foreign investors who have entered the egg business in Ohio and Pennsylvania during the last two to three years. These are flocks of a million layers or more. The large foreign investors in both states are adding to their flocks, with reports of one operation in Ohio that plans to have over five million laying hens in a matter of a few years.

While we support the inclusion of commercial or table eggs to the list of commodities that can use marketing orders, we question whether it will save the independent producer. It may be too late for their salvation, unless steps are taken to amend the tax codes that attract large domestic and foreign investors into the table egg industry. The tax advantages provided through investment tax credits on single purpose buildings plus the accelerated cost recovery that allows that facility to be depreciated in five years rather than the 25, have attracted non-farm investors into the poultry business. In a short time, this type of investment will greatly increase production and affect product prices, whether they are domestic or foreign investors.

It is this kind of rapid increase in production capacity and the loss of export markets that has caused the depressed prices in the commercial table egg industry. The marketing order authority could be of help, depending on the type and makeup of the orders. But I am afraid that the "chickens already flew the coop" for thousands of independent producers.

Sincerely,

EDWARD ANDERSEN,
Master, The National Grange.

[98th Cong., 1st sess., S. 1368]

A BILL To amend the Agricultural Adjustment Act, as amended and reenacted by the Agricultural Marketing Agreement Act of 1937, to permit the Secretary of Agriculture to issue marketing orders regulating the handling of eggs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That clause (B) of the first sentence of section 8c(2) of the Agricultural Adjustment Act, as amended and reenacted by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 608c(2)), is amended by striking out "eggs (but not excepting turkey hatching eggs),".

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

STAFF EXPLANATION OF S. 1368

S. 1368 would amend the Agricultural Marketing Agreement Act of 1937 to authorize the issuance of marketing orders for eggs under the provisions of that Act.

(Note.—Under current law, the 1937 Act authorizes the Secretary of Agriculture to issue marketing agreements and orders governing the handling of milk, various fruits and vegetables, and a variety of other commodities and speciality crops. Eggs, however, are specifically excluded from this authority. The primary purpose for the issuance of marketing orders under the 1937 Act is to establish and maintain orderly marketing conditions for agricultural commodities, which includes the elimination of such problems as oversupplies, shortages, unstable or inadequate prices to producers, inequities between producers or handlers, and similar conditions. Currently there are over 90 marketing orders in existence which contain a variety of terms and conditions, including, among others, provisions regulating the marketing of covered commodities by grade, size, container, packing methods, rate of flow to market, volume allocated to primary markets, market share allotted to producers, advertising and promotion, and, in the case of milk, establishing pricing formulas under which handlers are required to pay minimum class prices for milk and producers are provided uniform blend prices for milk. Under the 1937 Act, the issuance of a marketing order must be preceded by a public hearing on a proposal for an order, which is usually submitted to the Secretary by producers of the commodity to be regulated. In addition, any order issued by the Secretary must be approved, in a referendum, by producers of the commodity to be regulated before it may become effective.)

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